



Implementing FTA Commitments

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March 3-4, 2003



What will CAFTA look like?

- Zoellick notification letter outlines priorities of U.S. Government
- National Trade Estimate (NTE) identifies major problems
 - What's protected now
 - Possible “losers” during transition
- Best of Singapore and Chile—Beyond NAFTA
- U.S. political scene



Priorities of U.S. Government

- Scope—Beyond CBI, beyond WTO
- Emphasis on Central American need to “establish rules” on
 - Customs administration
 - Investment
 - Intellectual property rights (IPR)
 - Government procurement
 - Transparency
 - Corruption
- But, e-commerce—no new rules



NTE Identifies Problem Areas

- Tariffs and non-tariff barriers (NTB)
 - **Guatemala** reference prices and/or tariff-rate quotas (TRQs) on poultry, corn and rice
 - **Guatemala** implementation of customs valuation code; minimum valuations on poultry, rice, used clothes and used vehicles
 - **El Salvador** taxes on horticulture and dairy, variable levy on grains
 - **Honduras** price bands on corn, sorghum and cornmeal
 - **Nicaragua** high tariffs on corn and rice; luxury taxes; arbitrary customs procedures
 - **Costa Rica** high tariffs on rice, horticulture, dairy (65%) and poultry (150%); high taxes on autos



NTE Identifies Problem Areas

(continued)

- Dealing with highly protected sectors
- Long phase-out of tariffs
 - Temporary quantitative restrictions
 - Safeguard measures
 - Temporary quota
 - Tariff snap-back to most-favored nation (MFN) or pre-FTA levels



NTE Identifies Problem Areas

(continued)

- Standards
 - **Guatemala** testing, registration and labeling requirements for consumer-packaged food
 - **El Salvador** arbitrary application of SPS measures to imported poultry → effective ban on imports
 - **El Salvador** unjustified SPS measures to imported rice
 - **Honduras** SPS permit system limits imports of U.S. poultry



NTE Identifies Problem Areas

(continued)

- Responding to SPS problems
 - Special working group
 - Negotiating sub-group
- Developing non-traditional export markets—Related TCB activities



NTE Identifies Problem Areas

(continued)

- Intellectual property rights
 - ***El Salvador*** lacks trademark enforcement; inconsistent treatment of pharmaceuticals
 - ***Honduras*** illegitimate registration of well-known trademarks
 - ***Nicaragua*** weak enforcement of existing laws; data confidentiality
 - ***Costa Rica*** lack of criminalization; spotty enforcement



NTE Identifies Problem Areas

(continued)

- Procurement
 - ***Guatemala*** rules often ignored, too many exceptions
 - ***Costa Rica*** bid procedures inconsistently applied



NTE Identifies Problem Areas

(continued)

- Services
 - **Guatemala** restrictions on international telecom, banking, insurance, professional services
 - **Honduras** government authorization for tourism and banking; significant restrictions on professional services
 - **Costa Rica** state monopolies in insurance, telecom, electricity, petroleum distribution; significant restrictions on financial services and professional services



NTE Identifies Problem Areas

(continued)

- Investment
 - **Guatemala** red tape; restrictions in auditing, insurance, forestry, etc.
 - **El Salvador** potential problems for legal protection for franchisers
 - **Honduras** significant restrictions and licensing requirements; corruption
 - **Nicaragua** outstanding expro. cases; rule of law
 - **Costa Rica** inefficient legal system, unresolved expro. cases Contract sanctity issues



Best of Singapore or Chile— Beyond NAFTA

- Customs procedures reflect post-Uruguay Round activities: implementing the latest revisions of the 1973 Kyoto Convention, including binding rulings
- Services access and regulatory transparency with emphasis on financial services, telecommunications, professional services, and small package delivery
- E-commerce provisions prohibits duties on electronic delivery of digital products and extends non-discrimination to services delivered over the internet



Best of Singapore or Chile— Beyond NAFTA (continued)

- IPR protections reflect latest technological developments
- Government procurement—Bottom-up vs. piecemeal approach of the WTO agreement on procurement
- Dispute settlement—Transparency, labor/environment, fines
- Competition policy—Not a priority for CAFTA

U.S. Political Scene



- Labor and presidential election politics
- Agriculture
 - Sugar
 - FTAA Precedent
- Expropriations

How can TCB help implement CAFTA obligations?

- Overall
- Merchandise trade
- Services
- IPR
- Regulatory issues
- Labor
- Environment

Overall



- Identify legislative and administrative action
- Build support—Public outreach, especially responding to concerns of rural communities
- Outreach to business—Help identify opportunities for early harvest

Merchandise Trade

- Customs administration
 - Training in rules of origin administration
 - Valuation: computerized price databases
 - Electronic documentation handling and other facilitation
 - Anticorruption controls
- Administering safeguard actions

Services



- Improving regulatory framework: better interagency coordination to broaden the decision-making process
 - Example, El Salvador: telecommunications
- Privatization rules and procedures
- Temporary entry

- Laws and regulations—Criminalizing piracy
- Law enforcement training
- Special prosecutors
 - Example: USAID assistance to Guatemala
- Judicial training

Regulatory issues

- Procurement
 - Review regulations
 - Educate administrators
 - Develop and implement appeal procedures
 - Anticorruption
 - Electronic tendering
- TBT/SPS
 - Improved and consistent implementation
 - Explore regionalization schemes
 - Training for inspectors

Regulatory Issues (continued)

- Investment
 - Review land titling and other real estate ownership requirements
 - Streamline regulations
 - Investor roadmap exercise
- E-commerce

Labor and Environment

- Labor
 - DoL dialogue
 - Compliance and inspection training
- Environment
 - EPA technical assistance
 - Laws and regulations
 - Training in environmental impact assessments, risk management
 - Training in enforcement principles, compliance assessments

